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AICPA *Washington Report*

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FEDERAL DEPOSIT INSURANCE CORPORATION

A recently issued statement of policy has been amended to require the use of a certified public accountant in performing audits for institutions applying to the FDIC for deposit insurance (see the 6/24/87 Fed. Reg., p. 23720). The FDIC had adopted the policy statement (see the 6/15/87 Wash. Rpt.) requiring applicants for FDIC insurance to meet certain specified guidelines, including a full-scope audit for applicants with more than \$50 million in assets, and in some cases for applicants with less than \$50 million in assets, to be conducted by an independent public accounting firm. In amending its statement to require a full-scope audit to be conducted by a certified public accountant, the FDIC stated that CPAs "are generally recognized as being the most qualified of accounting practitioners by virtue of their possessing at least a minimum of competence in certain designated areas." The agency said that it has "greater assurance that audits conducted by certified public accounting firms can be relied upon compared to audits conducted by firms that are not certified." The effective date of the amendment is 6/9/87. For further information after reviewing the notice, please contact Robert Mialovich at the FDIC at 202/898-6918.

FEDERAL HOME LOAN BANK BOARD

An amendment to the regulatory capital requirements for the FSLIC-insured institutions was recently proposed by the FHLBB (see the 6/25/87 Fed. Reg., pp. 23845-48). Under the proposal, the method of industry profitability will be changed by computing the annual calculation to exclude GAAP-insolvent insured institutions. Specifically, the Board's proposal would require that the annual calculation be based upon the median return on assets (ROA) of all insured institutions whose assets exceed their liabilities under GAAP. The FHLBB is moving towards a GAAP reporting system for all insured institutions, effective 1/1/88 (see the 5/11/87 Wash. Rpt.). Until the GAAP reporting system has been in effect for four quarters, the Board will approximate insured institutions' GAAP equity capital for purposes of the annual calculation by deducting those items included within regulatory capital that do not constitute GAAP equity capital. Such items include qualifying mutual capital certificates, qualifying subordinated debentures, appraised equity capital, net worth certificates, accrued net worth certificates, income capital certificates, and deferred net losses on loans and other assets sold. Additionally, the Board will amend the capital regulation by using a median rather than a mean (average) as the appropriate measure of central tendency. Also, the Board will change the timing for its calculation and publication of the aggregate return on assets of insured institutions for the prior year. The Board is specifically requesting comments on the proposed method of computing the annual calculation to exclude all institutions that are insolvent under GAAP and the proposed use of the median rather than the mean as the selected measure of central tendency for computation of the annual calculation. Further, the Board has proposed to amend the branch acquisitions and sales provision and the earnings-based accounts regulation. Comments are requested by 8/24/87. For further information after reading the proposed rule, please contact Jerilyn Rogin at 202/377-7018.

A policy statement outlining procedures for deciding when suits will be filed against officers and directors of failed thrifts has been issued by the FHLBB (see the 6/15/87 Fed. Reg., pp. 22682-5). A staff memorandum issued 5/8/87 provides "guidelines" that the Board will use in evaluating the conduct of officers and directors, the agency said. Six categories of responsibilities are outlined in the Board memorandum: general, oversight, fiscal operations, lending operations, public relations/business & personal affiliations, and personnel. The statement recommends that an audit committee, composed totally of outside directors, be appointed to select the institution's outside auditing firm and discuss the scope and results of the audit. The Board also recommends that the audit committee

select and employ a compliance officer, to be under the direction and control of the committee. Comments on the statement will be accepted until 8/14/87. For further information after reviewing the policy statement, please contact Paul Grace at the FHLBB at 202/377-6424.

TREASURY, DEPARTMENT OF

A second set of advance draft copies of 1987 Federal income tax forms was recently released for public comment by the IRS (see the 6/24/87 Fed. Reg., pp. 23740-57). Forms and schedules on which the IRS is requesting comments are Forms 3903 and 8615, Schedules C, F, R, and SE of Form 1040, the Tax Table and the Tax Rate Schedules. Form 8615 is a new form which was developed to comply with a provision of the Tax Reform Act of 1986 requiring children under age 14 to file when they have investment income in excess of \$1,000 and when the parents' marginal tax rate exceeds the children's rate. Proof copies of these items are included in the Fed. Reg. notice and are also available by writing: IRS-CADC, 2402 East Empire, Bloomington, IL 61799. Comments on the forms should be submitted by 7/24/87 and addressed to Chairman, Tax Forms Committee, ATTN: Early Release, Internal Revenue Service, Room 5577, 1111 Constitution Avenue, N.W., Washington, D.C. 20224.

Proposed regulations concerning the information reporting on real estate transactions is the subject of a 7/22/87 IRS public hearing (see the 6/19/87 Fed. Reg., p. 23308). The regulations, proposed on 4/3/87, reflect the addition of section 6045 to the Internal Revenue Code by the Tax Reform Act of 1986. Section 6045 requires the person who is the real estate broker, with respect to a real estate transaction closing after 12/31/86, to file an information return and provide a statement to the transferor with respect to the transaction. The IRS hearing and the April solicitation of public comment centered on the definition of the terms "real estate broker" and "real estate transaction," as well as whether certain types of transactions should be exempted from the information reporting requirements. The AICPA is scheduled to present its views at the hearing which will begin at 10:00 a.m. in the IRS Auditorium, 1111 Constitution Ave., N.W., Washington, D.C. For further information please contact Angela Wilburn at the IRS at 202/566-3935.

The low-income housing credit, as enacted by the Tax Reform Act of 1986 (TRA '86), is the subject of temporary and proposed regulations by the IRS (see the 6/22/87 Fed. Reg., pp. 23432-40 and 23471-72). Section 252 of TRA '86 enacted a new low-income housing credit equal to the applicable percentage of the qualified basis of each qualified low-income building. The temporary and proposed regulations provide the necessary guidance with respect to the State housing credit ceiling, the special set-aside for qualified nonprofit organization projects, apportionment of housing credit dollar amounts among housing credit agencies within each State, the time and manner for making housing credit allocations to qualified low-income buildings, the manner in which housing credit allocations are taken into account by owners of qualified low-income buildings, rules for low-income housing financed in whole or in part with tax-exempt bonds, termination of authority to make housing credit allocations, information reporting, and certain definitional issues. The regulations apply to buildings placed in service after 12/31/86. Comments are requested on the proposal by 8/21/87. If further information is needed after reading the proposed and temporary regulations, please contact Robert Beatson at the IRS at 202/566-3829.

**SPECIAL: PUBLIC COMMENTS REQUESTED BY CONGRESSIONAL COMMITTEES ON LEGISLATION MAKING
TECHNICAL CORRECTIONS TO TRA '86**

Public comments on legislation making technical corrections to the Tax Reform Act of 1986, H.R. 2636 and S. 1350, have been requested by the House Ways and Means and the Senate Finance Committees. Comments must be submitted to the House Ways and Means Committee by 7/10/87 and to the Senate Finance Committee by 7/24/87. Copies of H.R. 2636, which is identical to S. 1350, are available for \$20.00 from the Government Printing Office by calling the Superintendent of Documents at 202/275-3030. For information about how the comments should be formatted and to whom they should be addressed, please contact the Ways and Means Committee at 202/225-3627 and the Finance Committee at 202/224-4515.

SPECIAL: JULY HEARINGS SCHEDULED ON REVENUE-RAISING OPTIONS BY HOUSE WAYS AND MEANS COMMITTEE

Three days of hearings have been scheduled on revenue-raising options by the House Ways and Means Committee. The hearings will be held on 7/7-9/87. Rep. Dan Rostenkowski (D-IL), chairman of the Ways and Means Committee, said 6/25/87 in announcing the hearings, that the Committee would hear testimony on proposals advanced by President Reagan in his FY '88 budget, as well as on proposals included in a pamphlet prepared by the staff of the Joint Committee on Taxation with the staff of the ways and Means Committee. The pamphlet is entitled "Description of Possible Options to Increase Revenues Prepared for the Committee on Ways and Means." Copies of the pamphlet, Document No. JCS-17-87, are available at a cost of \$8.50 from the Government Printing Office by calling the Superintendent of Documents at 202/275-3030. The 7/7/87 hearing will begin at 10:00 a.m. and the 7/8/87 and 7/9/87 hearings at 9:30 a.m. All the hearings will be conducted in 1100 Longworth House Office Building.

For further information contact Shirley Twillman or Joseph Petito at 202/737-6600.

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